
Healthcare Reform Upheld

By Stephanie L. Hicks, Kristi R. Gauthier / Jun 28, 2012

Earlier today the Supreme Court issued its much anticipated landmark decision regarding the constitutionality of the Patient Protection and Affordable Care Act (PPACA). In a 5-4 decision the Supreme Court upheld the law, and in particular, PPACA's individual mandate provision.

One of the main arguments in the Supreme Court case involved the constitutionality of PPACA's key provision, the individual mandate, which requires that most individuals obtain or maintain "minimum essential" health insurance coverage. Under PPACA, beginning in 2014, individuals who do not comply with the mandate must pay a penalty to the Internal Revenue Service with their taxes. The majority of the Court held that the individual mandate is constitutional because the penalty an individual must pay if he refuses to obtain or maintain health insurance can be construed as imposing a tax which Congress can constitutionally impose using its taxing power. Because the Court held that PPACA's individual mandate was a constitutional exercise of Congress's power to tax, the Court did not need to decide the constitutionality of any other provisions of PPACA, with the exception of the provision that required states to comply with new eligibility requirements for Medicaid or risk losing their funding. Aside from limiting this Medicaid provision, the Court upheld all other provisions in PPACA.

WHAT DOES THIS MEAN FOR YOUR GROUP HEALTH PLANS?

Going forward, group health plans must continue to comply with PPACA. For example, the amendments group health plans were previously required to adopt, such as internal appeals and external review procedures and the extension of health insurance coverage for dependents until they turn age 26, must remain in place. Furthermore, any amendments that group health plans are required to adopt in the future -- such as the \$2,500 limit on employee contributions to a health flexible spending account in 2013 -- must be adopted and in place in accordance with the timeframes set forth under PPACA.

You may obtain a full-text version of today's Supreme Court decision by clicking on the following link: <http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf>

If you have any questions about the Supreme Court's ruling and how it impacts your business, please contact Ed Hammond at (248) 988-1821 or ehammond@clarkhill.com; Kristi Gauthier at (248) 988-5854, or kgauthier@clarkhill.com; or Stephanie Hicks at (248) 988-5893 or shicks@clarkhill.com.